



May 15, 2006

Docket Clerk

Fruit and Vegetable Programs AMS, USDA

1400 Independence Avenue, SW

Mail Stop 0243

Washington, DC 20250

Re: Docket Number FV06-1290-1PR

Federal Register Volume 71, No. 76, Pages 20353-20357

Dear Sir or Madam:

The California Association of Winegrape Growers (CAWG) and Wine Institute appreciate the opportunity to submit comments. The California Association of Wine Grape Growers (CAWG) is an advocate for farmers, providing leadership on public policies, research and education programs, sustainable farming practices and trade policy to enhance the California winegrape growing business and our communities. There are approximately 4,800 winegrape growers in California. Wine Institute is the public policy advocacy association of California wineries. Wine Institute brings together the resources of 900 wineries and affiliated businesses to support legislative and regulatory advocacy, international market development, media relations, scientific research, and education programs that benefit the entire California wine industry.

### **Eliminate Preference for Fresh Specialty Crops**

CAWG and Wine Institute strongly oppose a provision in the proposed specialty crop block grant rules that gives a preference to "fresh" specialty crops. The underlying legislation, carefully considered and drafted by the House Committee on Agriculture in 2004, makes no such

preference and did not even debate the issue. Our organizations were a part of the specialty crop support coalition and worked hard for a bill that was designed to help all specialty crops, including processed grapes and wine. It is our belief that neither the bill's sponsors nor the Committee intended to provide a preference for fresh specialty crops.

The underlying legislation that provides authorization for specialty crop block grants, P.L. 108-465 and House Report 108-750, makes no distinction between fresh specialty crops and those that have been processed in some manner.

This legislation clearly defines specialty crops: "The term 'specialty crop' means fruits and vegetables, tree nuts, dried fruits, and nursery crops (including floriculture)." Indeed there is no legislative history that shows Congress intended to give preference to fresh specialty crops.

The final legislation (P.L. 108-465) included only one reference to "fresh". That reference is in just one of a long list of research objectives that is important to fresh specialty crops:

"The specialty crops committee shall include in each report recommendations regarding the following:

(3) Programs that would—

(A) Enhance the quality and shelf life of **fresh** fruits and vegetables, including their taste and appearance;

(B) Develop new crop protection tools and expand the applicability and cost-effectiveness of integrated pest management;

(C) Prevent the introduction of foreign invasive pests and diseases;

(D) Develop new products and new uses of specialty crops;

(E) Develop new and improved marketing tools for specialty crops;

(F) Enhance food safety regarding specialty crops;

(G) Improve mechanization of production practices; and

(H) Enhance irrigation techniques used in specialty crop production."

The use of the word "fresh" in a specific listing of part of the objectives of the bill is hardly a justification for providing a priority for "fresh." In fact quite the opposite is true. By explicitly mentioning "fresh" in a context where the distinction is meaningful the reasonable implication is that "fresh" does not have any specific meaning in the remainder of the statute.

The previous version of specialty crop grants instituted as part of the 2001 Farm Disaster Assistance (P.L. 107-25) ultimately provided funding to promote the competitiveness of many regional wine projects. Such funding is more important than ever as all fifty states have wineries and there is incredible growth in the number of wineries throughout the nation, from about 2,200 in 2000 to just under 4,000 at present.

Grapes are the sixth largest crop in the US and the largest specialty crop, based on farm gate value. Wine is California's number one value-added agricultural product, based on retail value.

Grape growing and the establishment of wineries are helping to diversify local economies and keep land in agricultural production. California's wineries are predominantly family-owned business and the vast majority are small production enterprises (less than 20,000 cases annually). Our wine community like many other segments of agriculture is facing intense competitive pressure. In 2005, over 25% of the U.S. market for wine was supplied by imports and that trend is expected to escalate as other wine producing countries target the U.S. with their products.

Winegrapes represent over 60% of all the grape acreage in California. Under this proposal wine grapes would not receive priority benefits from block grants even though winegrapes are a major crop of several thousand California farmers. Grapes processed for juice and concentrate and for raisins would also be denied priority benefits.

Giving priority to fresh specialty crops in administering the block grant programs is an idea that has not been thought through. It is prejudicial to one of our most successful specialty crop efforts. The wine and winegrape industry must not be considered to be in some form of secondary or "less important" status.

We respectfully urge the United States Department of Agriculture, Agricultural Marketing Service, to modify the proposed rule for Specialty Crop Block Grant Program by deleting the sentence "Priority will be given to fresh specialty crop projects" in § 1290.4(a).

#### **Allow States to Disburse the Funds as Best Meets A State's Needs**

CAWG and Wine Institute also respectfully request that there be flexibility in the rules to allow the State Departments of Agriculture to determine how the funds shall be distributed. Each state has different needs---needs that are best known by state officials. We support reasonable reporting requirements to ensure the funds are properly utilized. Our organizations are concerned that too many administrative requirements will hinder efforts to efficiently fund programs that directly benefit farmers of specialty crops.

California used specialty crop block grants very successfully in 2001. Thoughtful and judicious use of these much needed fund greatly enhanced the competitiveness of the wine and winegrape industry, both at home and abroad. Some examples include:

1. Funding for the Sustainable Winegrowing Practices workbook and first year of workshops to implement the Code of Sustainable Winegrowing Practices which is helping improve the quality of grapes and wine, produce them in a more cost-effective way, minimize our impact to the environment and enhance the image of CA wines around the world.
2. Funding for the California Vineyards & Wildlife Habitat publication of case studies and catalog of resources to assist growers in successfully addressing Endangered Species Act issues and other natural resource issues in cost effective ways, minimize the impact of costly burdensome regulation, identify cost-sharing incentive programs and enhance the image of California wines around the world.
3. Funding for a three-year project at Fresno State to identify and demonstrate the best practices to maximize quality and yield of Central valley grapes and wine destined for everyday table wines here and for the export market.

4. Start up funding for the ongoing “Buy California” program, which successfully showcases California products, including wine, both here and abroad.

We believe the Congress intended the block grants to go to the States. It is appropriate for USDA to review state plans for allocating the funds. However, we oppose the requirement that USDA approve the contracts or contractors of the projects selected for funding. This adds a layer of bureaucracy and inefficiency to the process that is not necessary. The role of USDA should be confirmation that expenditures are relevant to producers based upon the authorizing legislation rather than micromanagement of specific choices.

We appreciate this opportunity to comment. Thank you for your consideration of our views on this proposed rule.



Karen Ross, President  
California Association of Winegrape Growers



Robert P. Koch, President/CEO  
Wine Institute